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FISCAL IMPACT REPORT

SPONSOR Stell DATE TYPED 2-4-04 HB 60a/HBIC

SHORT TITLE Water Conservation Gross Receipts SB _____

ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(180.0)	(190.0)	Increasing	Recurring	General Fund
(120.0)	(125.0)	Increasing	Recurring	Local Gov.

(Parenthesis () Indicate Revenue Decreases)

Relates to:

- SB 12, Agricultural Water Conservation Tax Credit;
- SB 47, Sandia National Laboratories Water Model
- SB 78, National Lab Water Treatment Tax Credit

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Agriculture
Taxation and Revenue Department (TRD)

No Responses Received From

Office of State Engineer (OSE)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment changes the original GRT exemption to a deductions, and requires certification of water conserving irrigation technologies to qualify for the proposed deduction.

Synopsis of Original Bill

House Bill 60 amends statute to exempt from gross receipts tax the sale and installation of water conservation equipment for irrigation of agricultural land. The State Engineer and Interstate Stream Commission with New Mexico State University and New Mexico Institute of Mining and Technology will develop standards for water-conserving irrigation technologies eligible for the tax exemption.

FISCAL IMPLICATIONS (Amendment)

TRD notes the following assumptions in determining the fiscal impact:

Irrigation expenditures are a major category of spending for farm operations in New Mexico. The Farm and Ranch Irrigation Survey conducted by the United States Department of Agriculture reports that New Mexico farms spent \$12 million for the purchase of irrigation equipment and machinery in 1998. Approximately 12% of total irrigation equipment expenditures were for conservation purposes in 1998. The revenue estimate assumes a 5% annual growth rate for agricultural irrigation expenditure for a total of about \$17 million in FY 2005. Of the \$17 million total irrigation expenditures, 30% (\$5.0 million) is assumed to be on qualified technologies. The assumed eligible expenses are higher than the survey results because the bill lacks detailed definitions of eligible technologies.

FISCAL IMPLICATIONS (Original bill)

The following analysis is from identical legislation (HB 481) introduced in the 2003 session:

TRD relied on data from the Farm and Ranch Irrigation Survey conducted by the United States Department of Agriculture reports that New Mexico farms spent \$12 million for the purchase of irrigation equipment and machinery in 1998. Approximately 12% (\$1.5 million) of total irrigation equipment expenditures were for conservation purposes. The revenue estimate assumes agricultural expenditures for irrigation equipment total about \$14 million per year. The estimate further assumes non-agricultural irrigation equipment expenditures total approximately \$3 million. Of the \$17 million total irrigation expenditures, 12% (\$2 million) is assumed to be on qualified technologies.

TECHNICAL ISSUES

- TRD notes that if this proposal is meant to be an agriculturally based exemption, then language should be added to clarify the point.

SN/yr:pr